



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 6/1/2002

GAIN Report #PL2013

Poland

Cotton and Products

Annual

2002

Approved by:

Wayne Molstad, Agricultural Counselor

U.S. Embassy

Prepared by:

Natalia Koniuszewska, Agricultural Specialist

Report Highlights:

Cotton imports, 83 percent from Central Asia, continue to decline in Poland due to declining cotton product manufacturing. Nevertheless, the quality of what is produced is improving making Polish cotton products increasingly competitive as Poland prepares for EU accession which its government hopes to achieve by 2004. Prospects for U.S. cotton imports remain minimal.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Warsaw [PL1], PL

Table of Content:

Executive Summary	2
Cotton - PSD	3
Production	3
Consumption	3
Trade Matrix - Cotton - Imports	7
Trade Matrix - Cotton - Exports	8
Stocks	10
Policy	10
Marketing	11

Executive Summary

For several years, the Polish textile industry has been in decline. Imports of cotton have been decreasing from year to year and in 2001 totaled 54,000 metric tons versus 59,000 metric tons in 2000. Cotton imports in CY 2002 are expected to decrease further to 52,000 MT. As in the past, Central Asian cotton is expected to continue to dominate Polish imports due to lower prices and transportation costs. According to the Polish Main Statistical Office, 2001 U.S. cotton imports were less than half that in 2000 amounting to only 123 MT (299 MT in CY 2000).

Competition from imported textiles has already forced Poland's industry to reduce production and employment, the latter of which is a critical issue for politicians. Some companies hope to improve profitability by refocusing production on higher quality products for consumers in Poland and in EU markets.

Demand for domestically-produced cotton products in Poland has been steadily decreasing causing lower demand for raw cotton. To assist its textile industry, the Polish government approved in October 2000 the "Strategy for Light Industry for 2000-2005". Unfortunately, no funding was allocated to support the strategy. Local authorities are expected to provide financial support for Polish companies. This directive is aimed at encouraging local manufacturers to modernize and utilize new marketing systems like the Internet to sell their products.

Cotton - PSD

PSD Table						
Country	Poland					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	4790	3819	5443	3400	6314	2980
Production	0	0	0	0	0	0
Imports	55303	56405	57698	54000	0	52000
TOTAL SUPPLY	60093	60224	63141	57400	6314	54980
Exports	218	210	218	220	0	200
USE Dom. Consumption	54432	56614	56609	54200	0	52000
Loss Dom. Consumption	0	0	0		0	0
TOTAL Dom. Consumption	54432	56614	56609	54200	0	52000
Ending Stocks	5443	3400	6314	2980	0	2780
TOTAL DISTRIBUTION	60093	60224	63141	57400	0	54980

Production

Poland does not produce cotton.

Consumption

The Polish textile industry has been slow to modernize and suffers from a lack of financing and investment thus rendering it uncompetitive in international markets. In addition, strengthening of the zloty has made its exports more costly. Increasing cotton prices has further added to domestic costs.

Cotton consumption in 2000/2001 fell by three percent compared to the 1999/2000 season. Cotton consumption in MY 2001/2002 is estimated at 52,000 tons. Central Asian countries supply the majority of cotton to Poland. Ninety percent of the cotton processed by the Polish industry is within first and second quality (Birinch, Ikinchi) according to Uzbek standards. In U.S. terms, cotton

processed by Poland would be graded as SM to SM Lsp - with staple length from 1-1.16" up to 1-1/8". The remaining 10 percent would be classified within lower Uzbek grades III and IV (Uchinci, Turtinchi) or, in U.S. terms, SLM to LM Sp.

There are 30 textile mills in Poland which process raw cotton. Half of them use 85 % of all imported cotton. Annual consumption of cotton in these factories is between 1 TMT and 10 TMT. The remaining 15 mills annually process between 200 and 1,000 tons. Companies with full production lines that include textile mills, weaving facilities, dyeing and finishing shops, and which produce finished products, like fabrics, bed-clothes, and towels are in very good condition. It would appear that after increasing the quality of their products, they are able to compete locally and in foreign markets. Textile mills investing in modern equipment and using suitable raw materials are producing higher quality yarn making them more competitive. About 45 percent of the industry is concentrated near Lodz about 100 km southwest of Warsaw. Polish mills tend to use both ring and rotor spinning. At the end of CY 2000, the number of spindles decreased from 444,200 in 1999 to 437,700 in 2000, as well as the number of looms - from 7,600 in 1999 to 7,100 in 2000, of which 5,700 (6,100 in 1999) were shuttle-less weaving looms. There is no significant government support or involvement in the textile trade or for marketing. Prices for both raw materials and finished products are not regulated.

There were 327 textile manufacturers employing 68 thousand people and 620 clothing manufacturers employing around 104 thousand people in Poland at the end of 2000. Employment in light industry has been continuously decreasing over the last several years. The largest manufacturers of cotton yarn in Poland are: BIELBAW, ZAWIERCIE, BIELTEX, WI-MA SA and ANDROPOL SA. The largest manufacturers of fabrics in Poland (based on income) are: UNIONTEX, ZPB FROTEX SA, ZAMATEX SA, ANDROPOL SA.

The following estimate of utilization patterns is made on the basis of production data:

Production	CY 98	CY 99	CY 00	CY 01
Yarn, Cotton & cotton blend,				
- total, 1000 MT	82.2	67.3	49	42
- of total yarn: carded, 1000 MT	72.3	55.9	4.2	n.a.
Fabrics, cotton & cotton blend, excluding unfinished (cord, transporter)				
- total, 1000 MT	40.6	35.5	n.a.	n.a.
- total, square kilometers	275	234	298	226
Threads, cotton & cotton blend,				
- total, 1000 MT	0.6	0.9	1.1	n.a.

Source: Polish Industry Yearbook 2001. The full 2001 production data are not yet available.

Trade

According to the Main Statistical Office, cotton imports in CY 2001 were lower than in CY 2000 and represented 54,000 metric tons. Traditionally, imports consist of medium and long staple cotton. In addition, 1,189 tons of cotton waste were imported in CY 2001 compared with 1,341 tons in CY 2000. Cotton was primarily imported from Central Asian countries (Uzbekistan, Turkmenistan, Tajikistan, Kazakhstan, Kyrgyzstan). Imports from other countries accounted for 9,000 tons, of which 123 tons were imported from the United States. Among other suppliers were Chad, Greece, Brazil and Mali. Long staple cotton was imported from Uzbekistan, Tajikistan, Israel and Egypt.

In CY 2001, Poland re-exported 253 tons of cotton (254 tons in CY 2000). The major markets were France, Yugoslavia, the UK, Germany, Hungary and Latvia.

Importing companies operate independently in Poland and usually pay in cash for cotton imports without using bank financing. Cotton from Central Asia accounts for 83 percent of total imports, while the share of cotton from other countries is 17 percent of the total imports. Polish companies have reported problems in obtaining high-quality cotton on a consistent basis from Central Asia. Although the overall quality of cotton imported from Central Asia appears to be increasing, consistency remains a problem. To address these concerns, the Gdynia Cotton Association conducts training programs on cotton classification for representatives from Uzbekistan, Tajikistan, Turkmenistan, Azerbaijan, as well

as intermediary countries like Belarus and Lithuania.

According to the Main Statistical Office (GUS), the average price for imported cotton in 2001 was \$ 1,200/MT compared with \$ 1,270/MT in 2000. The average price for the U.S. cotton was \$1,050/MT compared with \$1,440/MT in 2000.

Trade Matrix - Cotton - Imports

Import Trade Matrix			
Country	Poland		
Commodity	Cotton		
Time period	Jan-Dec	Units:	MT
Imports for:	2000		2001
U.S.	299	U.S.	123
Others		Others	
Uzbekistan	30047	Uzbekistan	30506
Turkmenistan	5631	Kazakhstan	7296
Kazakhstan	4640	Turkmenistan	2772
Tadjikistan	4097	Chad	2435
Chad	3168	Tadjikistan	2384
Kyrgyzstan	2447	Kyrgyzstan	1221
Central African Rep.	1322	Greece	993
Azerbaijan	1238	Brazil	830
Syria	1024	Mali	609
Greece	900	Azerbaijan	666
Total for Others	54514		49712
Others not Listed	4450		4207
Grand Total	59263		54042

Trade Matrix - Cotton - Exports

Export Trade Matrix			
Country	Poland		
Commodity	Cotton		
Time period	Jan-Dec	Units:	MT
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Latvia	196	France	123
Hungary	24	Yugoslavia	47
Turkmenistan	17	UK	45
Lithuania	16	Germany	8
France	1	Hungary	5
		Latvia	3
Total for Others	254		231
Others not Listed	0		22
Grand Total	254		253

Note: The Trade Matrix tables are for CY. These data are based on information from the Main Statistical Office. There is no statistical information which could be used to develop MY Trade Matrices. The trade data in PSD table are prepared based on information from the Gdynia Cotton Association.

Besides cotton, Poland also imports significant amounts of cotton products. In CY 2001 Poland imported 16,441 tons of cotton yarn (14,767 tons in 2000), as well as 50,133 tons of cotton and cotton-blend fabrics, i.e. 5.5 percent more than in 2000 (47,500 tons). The following table presents changes in trade of cotton products over the last four years.

CN Code	Product	Import tax applicable to U.S. products								
			1998		1999		2000		2001	
			MT		MT		MT		MT	
			Export	Import	Export	Import	Export	Import	Export	Import
5204	Cotton thread	6 %	n.a.	372	7	287	20	197	34	193
5205-5207	Cotton yarn	9 %	265	11,805	355	16,177	400	14,767	749	16,441
5208-5212	Cotton fabrics	12 %	3,361	38,935	2,670	45,251	2,657	47,500	2,908	50,133

According to bilateral agreements, there is a 0 percent import tax on cotton thread and yarn imported from the EU and EFTA countries, CEFTA members, Baltic States, Israel, Farrow Islands and Turkey. On cotton fabrics imported from the aforementioned countries, the import tax is also 0 percent.

Poland's integration into the EU, which its government hopes to achieve by 2004, will not substantively change the import situation of raw cotton and cotton products. However, it may slightly change prospects for U.S. cotton products in the Polish market since EUexternal import duties on cotton products, applicable in Poland after it accedes, are lower than Poland's current import duties.

Tariffs on US products		Poland	EU
5204	Cotton thread	6 %	4.4 or 0% within quota
5205	Cotton yarn	9%	4; 4.4 or 0% within quota
5207	Cotton yarn	9 %	5.8 or 0% within quota
5208	Cotton fabrics	12 %	8.4 or 0% within quota

EU accession may improve the situation of Polish manufacturers and exporters, as they hope they will get larger access to the EU market than they have today. The quality of Polish textile products improves from year to year and is becoming increasingly competitive versus European products.

Stocks

According to information collected by the Gdynia Cotton Association, Polish cotton stocks at the end of 2001 were 2,369 tons and are expected to be 2,800-3,000 tons by the end of 2002.

Policy

There are no import or export subsidies for cotton or cotton products. The basic tariff for raw cotton including combed and carded is zero. The tariff for cotton and cotton-blend threads is 6 percent; for cotton and cotton-blend yarns - 9 percent; and for cotton and cotton-blend fabrics - 12 percent (13.1 percent in 2000). All the above cotton products qualify for preferential 0 % tariffs when imported from the EU, EFTA, Czech and Slovak Republics, Hungary, Slovenia, Bulgaria, Rumania, Estonia, Lithuania, Latvia, Israel, Faroe Islands and Turkey.

Polish textile manufacturers claim that half of all textiles imported into Poland are not legally registered or their value is declared lower than it should be in order to reduce import tax payments. In response, the Polish government adopted a law to prevent excessive imports of some textiles and clothing into Poland (in force since January 1, 1998). The law provides a mechanism for introducing a quantitative quota, in line with WTO safeguards, on goods in the event they are injuring the domestic industry. These measures can be introduced for a period of up to three years. However, if they are longer than one year, the quota is supposed to be increased by at least 6 percent during the second year. The measures can be requested by a person or corporate body acting on behalf and in the interest of the domestic industry. The requests must contain sufficient evidence of a significant growth of imports and proof of serious injury suffered by the domestic manufacturers as a result. The Ministry of Economy reviews all requests. The law was roundly criticized by Polish textile and clothing manufacturers as being ineffective and was redrafted.

In an attempt to address textile manufactures' complaints, in 2000 the Ministry of Economy increased document requirements for importing second-hand clothes and raised tariffs in cases where documents are missing or the origin is unknown. An additional more rigorous regulation on imports of second-hand clothes will be introduced on July 1, 2002. It will require that all second-hand clothing has to be washed and sorted before entering Polish territory. This will increase the prices on second-hand clothing, but also accelerate the closing of many small businesses. Opponents of this regulation warn that it will lead to the further deterioration of living conditions of Polish families. Second-hand clothing

shops were very popular in Poland (around 90 % of the population is categorized as low income).

To help Polish textile manufacturers to improve their production and increase their competitiveness in the EU market in the near future, the Polish government prepared a document "Strategy for the light industry for 2000-2005". Adopted in October 2000, the Strategy is the basis for supporting regional programs for the expansion of small and medium-size companies in light industry. According to the document, all companies in the sector which have debts could receive financial help from the state budget in the form of subsidized credit lines for restructuring.

There are also several programs financed from different sources, mainly for promotion of EU integration, advisory services, export promotion, research and new technologies. These projects are directed to the new businesses or well functioned old ones. These funds cannot be used to rescue firms from bankruptcy.

Textiles produced in Poland are subject to import quotas in the United States and Canada.

Marketing

Cotton imports are conducted by private importers. Importers prefer to buy from countries of the former Soviet Union due to attractive prices. Some quantities of high-quality or special types of cotton are imported from other sources. Polish traders believe more imports would be possible from the United States if prices become more attractive relative to Central Asian suppliers. However, one factor working against imports from the United States is that Polish importers prefer to buy in smaller lots because of their lack of access to financial resources which is constrained by high collateral requirements and interest rates from Polish banks.

In addition to credit, U.S. investment and/or technology transfer would improve the U.S. position in this market. The Polish trade continues to promote the idea of developing consignment warehouses in a free trade zone within Poland, which would permit cash sales of smaller quantities of cotton to Polish users. Cotton imports from the former Soviet Union arrive by rail or by sea, imports from other origins are delivered by sea through the port of Gdynia.

The Gdynia Cotton Association (GCA) is composed of 110 members: 76 domestic and 34 foreign. The Association actively sponsors cotton trade, research on cotton processing, and arbitration. The GCA is a member of the Committee for International Co-operation between Cotton Associations - CICCAs, cooperates with the International Cotton Advisory Council - ICAC and is a signatory member of the Universal Cotton Standards Agreement. The GCA is the only organization of this kind in Eastern and Central Europe.